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FRASER AND NEAVE, LIMITED

Company Registration No. 189800001R
Incorporated in the Republic of Singapore

Fraser and Neave reports interim PBIT of \$300 million on sales of \$2 billion

- *Robust 2Q performance due to strong festive sales*
- *Directors declare interim net dividend of 20 cents per share*

SINGAPORE – 13 May 2005 – Driven by strong festive sales in soft drinks and breweries in the second quarter, mainboard-listed Fraser and Neave Limited (F&N) today reported profit before interest, tax and exceptional items (PBIT) of nearly \$300 million for the six months ended 31 March 2005.

Group revenue for the six months rose 15.1% to close to \$2 billion from \$1.7 billion in the previous corresponding period.

Group attributable profit (before exceptional items) for year-to-date, however, was marginally lower at \$118.5 million.

However, excluding the \$20 million impact of the securitization of Compass Point in the first quarter of the previous year, attributable profit for the six months to date increased by 13.9% over last year.

Basic earnings per share (before exceptional items) based on the 6-month results amounted to 51.0 cents compared with 53.7 cents in the previous period.

The 6-month results benefited from a strong second quarter performance, where PBIT rose nearly 12.8% to \$136.6 million on a 12.0% increase in revenue to \$874.8 million.

At the attributable level (before exceptional items), 2Q profit rose 5.7% to \$51.5 million, translating into earnings per share of 22.2 cents.

Directors have declared an interim net dividend of 20 cents per share which will be paid to shareholders on 15 June 2005.

As at 31 March 2005, net asset value per share rose to \$12.76 from \$12.61 as at 30 September 2004.

Commenting on the 2Q results, Dr Michael Fam, Executive Chairman of F&N said, "Our three core businesses – Food & Beverage, Properties and Printing & Publishing – with a wide geographical spread of markets, continue to produce satisfactory returns to shareholders."

"We are particularly pleased with the performance of our Soft Drinks and Breweries divisions which benefited from the strong demand during the festive period. We also had a very successful launch of our Mount Sophia project which will underpin profits in the second half year," notes Dr Fam.

"However, moving forward, we are concerned with rising raw material and packaging costs and high energy prices. Steps are being taken to manage these costs and where possible, prices have been increased to mitigate their impact on profit," says Dr Fam.

Barring unforeseen circumstances in the next few months, the Directors are cautiously optimistic that earnings for the full year will be maintained.

“On the Investment Property front, we have started restructuring some of our shopping malls in order to capture opportunities arising from securitized real estate business models such as Real Estate Investment Trusts (REITs). As such, we are looking at launching a REIT at an appropriate time in the near future,” Dr Fam added.

Review of Operations for Q2

Trading profit for the quarter rose a marginal 5.2% to \$112.2 million from \$106.6 million last year, resulting in a slight improvement in PBIT margins for Q2 at 15.6%.

Soft Drinks

At the soft drinks division, sales grew a robust 21% to \$125.8 million while PBIT rose 14.5% to \$14.7 million on strong festive sales and deliveries to distributor prior to price increase, effective 1 April 2005. PBIT margin decreased slightly to 11.7% from 12.4% previously.

Breweries

Revenue for the quarter grew strongly by 22.8% to \$404.7 million, buoyed by strong Chinese New Year and Tet spending. As a result, PBIT rose 16.4% to \$64.0 million.

In particular, sales volume in Indochina region and China were robust, rising 55.6% and 42.6% respectively. Similarly, PBIT from Malaysia, Papua New Guinea and New Zealand improved but these were offset by declines from Singapore and Thailand due mainly to higher marketing expenses. In China, the Group's investment in Kingway Brewery Holdings Ltd made a steady contribution to profit.

Dairies

The Dairies division posted a 6.6% increase in revenue to \$94.5 million with PBIT rising 15.1% to \$2.6 million due to higher profit from Singapore and profit contribution from China. However, these gains were partly offset by initial losses from a new acquisition in Australia, competitive conditions in Vietnam and lower profit, as a result of much higher raw material and packaging costs, from Malaysia.

Glass Containers

Despite a 4.6% decline in revenue to \$25.5 million, PBIT for this operation increased by 10.2% to \$1.6 million due to higher profit in Vietnam after furnace rebuilding. In December 2004, the Group announced that it had entered into a joint venture with Siam Glass Industry Company Limited to set up a glassworks factory in Thailand. The new company, Siam Malaya Glass (Thailand) Company Limited, will not only produce glass products for sale in Thailand and overseas, but is also expected to provide Thai Asia Pacific Brewery Co Ltd with a secure and ready source of bottle supply for its products.

Printing and Publishing

Revenue for Printing and Publishing declined by nearly 10% to just below \$100 million arising from the closure of the under-performing plant in UK and the curtailment of partwork launches. However, these were partially offset by new sources of revenue from investments in Singapore, Malaysia and China.

Coupled with maiden profit contribution from Fung Choi (acquired in the latter half of last year), PBIT for this division jumped 75.1% to \$2.7 million for the quarter.

Development Property

This Division mounted a hugely successful launch of its newest condo project – the 277-unit 8@Mount Sophia – in March, and was followed by strong buying interest in The Spectrum along Pasir Panjang Road. Together with overseas developments, these projects will underpin profits for the second half year. For the quarter under review, revenue from Development Property increased a marginal 2.5% compared to last year. However, PBIT was up 64.6% to \$18.6 million due to recognition of profit by the associated company developing the Jin Lin Tian Di project in Shanghai, China.

“In the last few years, the Group has been accumulating various sites, including sites such as Sentosa Cove and made our first foray into the Thai and New Zealand property markets. To date, the signs appear promising with the recent buying activity in Singapore, and strong interest in our overseas residential developments, F&N looks forward to reaping the rewards from these added income streams,” concluded Dr Fam.

Investment Property

Revenue from Investment Property increased by 5.3% to \$48.3 million but PBIT decreased 2.4% to \$28.5 million. This was because higher rentals from retails malls and serviced residences were offset by lower rentals from offices and industrial park.

Moving forward, Fraser Serviced Residences will continue to acquire more managed properties, with the most recent being the 131-unit Fraser Place at upscale Langsuan Road, Bangkok for a period of 10 years. This follows the opening of its serviced residences in Paris, Glasgow, Shekou and Shenzhen in the last year.

Balance Sheet

The Company's short term borrowings increased as a result of the payment of dividend to shareholders.

At the Group, the increase in intangible assets and other investment were due to new investments made during the six months to date. Trade debtors increased as a result of billing of sale proceeds upon Cote d'Azur obtaining TOP in December 2004.

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